

Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Hot-Rolled Products (#3)

(a)	Product Designation/HTS	SCM 415 7225.30.3050, 7225.30.7000
(b)	Product Description	C : 0.13% MIN - 0.18% MAX Si : 0.15% MIN - 0.35% MAX Mn : 0.60% MIN - 0.85% MAX P : Equal to or less than 0.03% S : Equal to or less than 0.03% Cr : 0.90% MIN - 1.20% MAX Mo : 0.15% MIN - 0.30% MAX
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutable Products	See Attachment C

Attorney Contact: Matthew R. Nicely (202-429-4705, mnicely@willkie.com) or
Julia K. Eppard (202-429-4709, jeppard@willkie.com)
Willkie Farr & Gallagher

SCM 415 is specially produced by Sumitomo Metal Industries, Ltd., (SMI) in Japan. This steel is used in manufacturing door latches to prevent automobile doors from opening in crashes and is also used in t.v. frames. It has unique properties that make it stronger and an overall better quality product for these uses. SCM 415 should not be subject to quotas or increased tariffs as it does not injure the domestic industry.

Gecom manufactures door latches for automobile car doors to prevent the car door from opening in a crash. It is vital that their product is consistently strong and durable to protect passengers in crashes. The potential risk of life associated with using an inferior product is too great, and so they are willing to pay for the highest quality steel available. Gecom purchases SMI's SCM 415 hot-rolled steel because there is no suitable steel manufactured in the United States that meets their needs.

Gecom prefers to buy domestically produced steel, and in fact, approximately eighty percent of the steel it purchases is from U.S. mills.¹ Gecom has tried multiple times to certify U.S. mills and

¹ See Affidavit of Yasukazu Nomura, General Manager of Engineering for Gecom (**Attachment D**).

purchase domestic steel but has not been able to do so because they do not perform as well as the SCM 415. Mr. Nomura, the General Manager of Engineering explained:

Both SCM 415 and the U.S. products perform similarly when a lower amount of force is used. However, the differences in the quality become apparent when a greater amount of force is applied. The U.S. product simply cannot withstand the same amount of pressure as can the SCM 415. Since the safety of our product is our chief concern, we only want to use the highest quality steel.²

The current grades available domestically are not suitable for Gecom's needs.

When the available domestic steel did not perform as well in Gecom's test, Gecom asked U.S. mills if they could supply a product that is as high a quality as the SCM 416. Typically it is cheaper to buy domestic steel to avoid transportation costs and time delays. They responded to Gecom that, "[t]hey would consider meeting our high grade specifications if we would order 600 tons at a time. This would be enough for us for two to three years!"³ No company would purchase its supply of steel that far in advance. It is too difficult to predict demand. Despite all of Gecom's efforts, it has not been able to certify a domestic supplier of steel that would meet the quality of the SCM 415.

Placing quotas or tariffs on this steel might cause Gecom to purchase domestic steel, however, it will be a lower-quality steel that will be used in our car door locks. The domestic industry has demonstrated in its quotes to Gecom that it has the potential for producing this product, yet it refuses to do so because there is not a high enough demand. Gecom should not be forced to pay higher prices because of a decision by the U.S. mills to not produce a product.

Western Tube & Conduit Corporation also purchases SCM 415 to produce part of a television frame for Sony. Western Tube buys the 48" wide coil of SCM 415 and cuts and welds it into a narrow 3-4" size. Then they form it into a square shape, weld it together, cut the tube, grind the edge and sell it to Sumitomo Metal Mining (SMMU). SMMU then further manufactures it into the television frame for sale to Sony Electronics.

Sony must certify any steel that is used in its televisions. Mr. Oishi, the President of Western Tube & Conduit Corporation explains the certification process:

The certification process is generally intensive and can take approximately a year to be completed. First, we must test the steel and certify it. From the time we order it until it comes in is about two to three months. Then it takes us about a month to roll it into tube and test their physical properties as such. Then our customers must test them in turn for their purchases and process, which will take additional several months.⁴

² *Id.*

³ *Id.*

⁴ See Affidavit of Yuzo Oishi, President of Western Tube & Conduit Corporation (**Attachment D**).

Even if Western Tube is able to certify another supplier, it will take approximately a year before the process is completed. Western Tube buys a majority of its products from domestic mills.⁵ However, because of the unique requirements of Sony's t.v. frames, it must import SCM 415 from SMI as they are the only certified supplier to Western Tube. Imports of this product are in such small quantities that they do not injure the domestic injury. SCM 415 should be excluded from any remedy as there is no domestic substitute that is of as high of a grade of steel.

Sony Electronics is particularly vulnerable to the potential decisions of this case. It purchases five types of specialty steel and must be able to import these products to continue production of its CRTs.⁶ Sony manufactures CRTs in both Mount Pleasant, Pennsylvania and San Diego, California. In those two facilities Sony has over [] employees, and purchases from over 1,200 domestic suppliers.⁷ Currently, Sony Electronics is the only domestic manufacturer of direct view televisions in the United States. There used to be 34 other television manufacturers in the United States in 1990. However, a vast majority of them have relocated their facilities in Mexico where the labor is significantly cheaper and where they pay only [] the duty rate on their imports due to a special program called PROSEC that has significantly reduced duties on Non-NAFTA parts imported into Mexico.⁸ If a 40% tariff were placed on Sony's imports, they would lose over [] a year.⁹ Because of the intense competition they face with cheap imports from Mexico, Sony would not be able to continue manufacturing at its current levels.

Furthermore, imported SCM 415 is typically more expensive than U.S. hot-rolled steel. As shown in **Attachment B**, the unit price for certain SCM 415 from Japan ranged from [] during the period of investigation. Compare these prices to the data collected by the Commission for the selected pricing products which are intended to be representative of U.S. prices of hot-rolled steel products in general.¹⁰ This attachment demonstrates the significant overselling of this specialty product imported from Japan. Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion from any 201 remedy.

⁵ *Id.*

⁶ See the following exhibits for those arguments: Coated Steel Sheet for Reinforcement of Heat-Shrinkable Bands; Tin Free Steel for Inner Magnetic Shields; SCM 415, SCM 415 (modified), and NST 490 for CRT frames.

⁷ See Affidavit of John Halac and Louis Dubois of Sony Electronics (**Attachment D**).

⁸ *Id.*

⁹ *Id.*

¹⁰ See ITC's Staff Report at Tables FLAT-68, FLAT-69 (public version).

Attachment A

Foreign Producers

(1) Sumitomo Metal Industries, Ltd.

- Address: Triton Square Office Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-61111, Japan
- Phone: 011-81-3-4416-6148
- Fax: 011-81-3-4416-6788

Domestic Producers

(1) WCI Steel Inc., Warren, OH

HOT-ROLLED

SCM 415

Quantity Company	January - June						Projections					
	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[6,683	7,780	9,007	5,596	11,932	4,975	4,476	7,129	7,945	7,422	7,945	7,422
Total	6,683	7,780	9,007	5,596	11,932	4,975	4,476	7,129	7,945	7,422	7,945	7,422

Value Company	January - June						Projections					
	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[4,183,790	4,832,155	5,194,412	3,672,350	6,747,867	3,260,841	2,354,511	4,063,383	4,528,823	4,528,823	4,230,371	4,528,823
Total	4,183,790	4,832,155	5,194,412	3,672,350	6,747,867	3,260,841	2,354,511	4,063,383	4,528,823	4,528,823	4,230,371	4,528,823

[Unit Price 0 0 0 0 0 0 0 0]

U.S. Production	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Imports from Other	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Countries	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Total U.S.	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Consumption	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

PUBLIC VERSION

AFFIDAVIT OF YASUKAZU NOMURA
GENERAL MANAGER OF ENGINEERING, GECOM

I, Yasukazu Nomura, declare and state to the best of my knowledge, information, and belief, that:

1. I am the General Manager of Engineering of Gecom, in Greensburg, Indiana. Gecom has been producing door latches for over 14 years. We purchase Sumitomo's SCM 415 hot rolled steel because there is no suitable steel manufactured in the United States that meets our needs.
2. We manufacture door latches for automobile car doors to prevent the car door from opening in a crash. It is vital that our product is consistently strong and durable to protect passengers in crashes. We can not afford the potential risk of life associated with using an inferior product, and so we are willing to pay for the highest quality steel available.
3. There is no product produced in the United States that can compare to Sumitomo's SCM 415. We prefer to buy domestic steel when there is steel available to meet our needs. In fact, approximately eighty percent of the steel we purchase is produced in U.S. mills. The remaining twenty percent is imported SCM 415.
4. Gecom has tried multiple times to certify U.S. mills but has not been able to do so. Our tests have shown that SCM 415 is a superior product. Both SCM 415 and the U.S. products perform similarly when a lower amount of force is used. However, the differences in the quality become apparent when a greater amount of force is applied. The U.S. product simply cannot withstand the same amount of pressure as can the SCM 415. Since the safety of our product is our chief concern, we only want to use the highest quality steel.
5. We have asked U.S. mills if they could supply us the same high grade product to match SCM 415. Because there is not enough demand for it in the United States, the U.S. mills will not make this product. They would consider meeting our high grade specifications if we would order 600 tons at a time. This would be enough for us for two to three years! The U.S. mills are therefore, not able to make this type of product for our purposes so we must import it from Japan.
6. The safety of our car door latches depends upon imported SCM 415 steel. There is not viable alternative in the United States. Placing quotas or higher duties will only serve to hurt the end users like Gecom and it will not help any U.S. mills as they do not produce this product. We ask that you exclude SCM 415 from this Steel 201 investigation.

Yasukazu Nomura
Mr. Yasukazu Nomura

10 - 25 - 2001
Dated

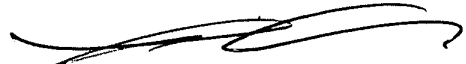
PUBLIC VERSION

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**AFFIDAVIT OF YUZO OISHI, PRESIDENT
WESTERN TUBE & CONDUIT CORPORATION**

I, Yuzo Oishi, declare and state to the best of my knowledge, information, and belief, that:

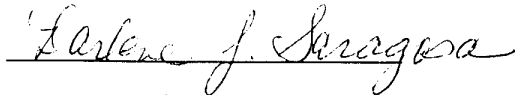
1. I am the President of Western Tube & Conduit Corporation (WTC) in Long Beach, California. WTC was established in 1964, and is the largest manufacturer of conduit, mechanical tube, and fence post on the West Coast. We currently employ 260 people and have a capacity of 12,000 tons of our products per month. Although the majority of our purchases have been made with domestic mills, we need certain imported products due to our customer's certification or preference. We purchase all of hot-rolled coil and strip SCM415 from Sumitomo Metal Industries, Ltd. (SMI) in Japan, because they are the only certified supplier of the product. We produce tubes for large sized television frames from SCM415.
2. SMI is the only certified supplier of SCM415 for our customer. The certification process generally is intensive and can take approximately a year to be completed. First, we must test the steel and certify it. From the time we order it until it comes in is about two to three months. Then it takes us about a month to roll it into tube and test their physical properties as such. Then our customers must test them in turn for their purchases and process, which will take additional several months. In the past, a domestic product was not consistent so we purchased SMI's hot-rolled coil and strip SCM415, which has superiority in quality and consistency over the domestic product. Only time will tell if the domestic product will be able to compete with SMI's. Even if it is able to do so, it might take up to a year to certify it as a supplier.
3. Hot-rolled coil and strip SCM415 should be excluded from this investigation. SMI is currently our only certified supplier. Even if a domestic product were able to pass the stringent tests, it would take almost a year to certify it. In that time, Western Tube & Conduit Corporation will either not be able to manufacture our tube, or will be forced to pay high duties to purchase the steel. Placing duties or tariffs on the imports would only hurt our business.



Yuzo Oishi

Dated 9/25/01

Subscribed and sworn to before me this 25th day of September 2001.



Notary Public

My commission expires:

PUBLIC VERSION



SONY

Sony Electronics Inc., Display Device Pittsburgh

Sony Electronics Inc., Sony Technology Center - San Diego

PUBLIC VERSION

AFFIDAVIT OF JOHN HALAC, PURCHASING SUPERVISOR
AND LOUIS DUBOIS, PURCHASING AGENT, SONY ELECTRONICS INC.

We, John Halac and Louis Dubois, declare and state to the best of our knowledge and belief, that:

1. Sony Electronics produces color television picture tubes in San Diego, California and Mount Pleasant, Pennsylvania. We use domestic steel as well as imported steel from Japan to produce our cathode ray tubes (CRTs) for our televisions. Specifically, we use several specialty Japanese steel products that are not available domestically. The imported steel includes coated steel sheet for heat-shrinkable bands; steel used for inner magnetic shields ("IMS") for Sony's 42RSN model; hot-rolled SCM 415 frame steel, hot-rolled SCM 415 modified frame steel, and hot-rolled NST490 frame steel used in the production of CRTs. In particular, for FY'02, our Pittsburgh facility will use approximately [] tons of IMS steel for the 42 RSN CRT model, [] tons of steel for heat-shrinkable bands and [] tons of SCM 415 hot rolled steel. For FY'02, our San Diego facility will use approximately [] tons of SCM 415 modified steel, [] tons of NST490 frame steel and [] tons of steel for heat-shrinkable bands. As you can see, the total amount of imported steel used by Sony's plants, only [] tons, is insignificant in comparison to the total amount of imported steel subject to this investigation, but the impact to Sony on any additional duties or quota will be disproportionately significant.

2. Sony is a large employer in the television industry. The Mount Pleasant facility alone employs [] full-time workers with a total payroll approaching []. The San Diego facility employs [] people with a total payroll of approximately [].

3. We face intense competition from foreign CRT producers because they have lower production costs. In fact, former U.S. television manufacturers have moved their facilities to Mexico to benefit from these lower costs. For example, the cost of labor in the United States is significantly higher than the cost of labor in Mexico. From 1995 to 1998, U.S. consumption of CRTs dropped from 14 million units to 10 million units. In 1990, there were 34 television manufacturing facilities in the United States with approximately 26,000 workers. Presently, there are only a few U.S. manufactures of direct view televisions in the United States. Conversely, manufacturing facilities in Mexico have increased from 13 television manufacturers in 1998 to 21 in 2001. This trend has continued and will continue as U.S. television manufacturers are forced to compete with cheaper imports.

4. Placing tariffs on the imported steel would have a dramatic adverse impact on our profitability. Currently there are relatively small profit margins generated by our manufacture of color televisions. As a matter of fact, Sony recently shut-down two CRT production lines for computer monitors because Sony could not compete with the less expensive CRTs produced overseas. This resulted in a loss of [] U.S. jobs in San Diego. There is a constant pressure to reduce costs due to cheaper televisions being imported from foreign sources. This situation is compounded by the fact that television manufacturers in Mexico can export their televisions to the United States duty free due to NAFTA.

5. The application of any additional duties places Sony at a continued disadvantage as compared to our fellow NAFTA members, Mexico and Canada. For example, Mexico has a program called PROSEC that has reduced the duty on Non-NAFTA television parts imported into Mexico to 0.5%. This allows Mexico to produce televisions at reduced cost as well as importing the finished goods into the U.S. and Canada duty free. Canada initiated a similar program in 1994. The United

PUBLIC VERSION

States has no parallel program resulting in an average U.S. duty rate of []% for our television parts. Because we have to pay a duty that is [] times higher for television parts, our cost of production is significantly higher than the cost of manufacturing in Mexico and Canada. This places us at a considerable disadvantage with imports of CRTs and televisions from Mexico and Canada. Imposing additional duties on the imported steel we use would only further put Sony at a disadvantage.

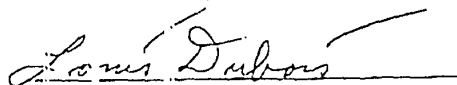
6. Sony has made a commitment to maintain its presence in the United States and will continue to manufacture televisions and CRTs here as long as we are able to remain profitable. Factors such as NAFTA duty preference, reduced transportation costs and efficient use of logistics are significant benefits to the continued manufacture of televisions and CRTs in the United States. Additionally, Sony's CRT and television manufacturing has supported a network of over 1,300 local vendors from whom many of our parts are purchased. Sony is committed to supporting communities where its employees work and live. These suppliers require certain steel products as essential raw materials. We must turn to imported steel when domestic suppliers are unable to provide us products at the quality levels required and delivery times necessary to meet our need.

7. With the intense competition from off-shore television and CRT manufacturers, we cannot afford to pay increased tariffs or suffer any quota on our imported steel. Due to the specific design of our CRTs, Sony is required to purchase HS Band steel, IMS 42RSN steel NST490 frame steel and the SCM 415 frame steel with particular specifications. At this time, we are testing the SCM 415 (modified). Other than the NST490, we believe the SCM 415 (modified) is the only other steel able to meet our needs for our 29" CRT. Our imported steel is not available domestically. Even if a comparable steel were available, we would have to redesign the various parts of the CRT and that would be cost-prohibitive. We estimate that a 40% tariff on our imported steel we use would raise our costs of production by approximately [] in our Mount Pleasant facility and [] in our San Diego facility. Given that intense competition has already minimized our profit margin on CRTs, we would not be able to continue manufacturing at our current levels.

8. This steel is not available domestically and placing quotas would only limit the amount Sony can expand production of its televisions. In addition, supply disruptions caused by quotas could restrict current production levels. A tariff or quota would not help domestic steel producers as they do not compete with these products. Increased tariffs or quotas would only force us to drastically cut our revenue and might ultimately force us to move our facilities to lower-cost areas of the world. Steel used to produce HS Bands, IMS for the 42RSN model, NST490 frame, SCM 415 frame and SCM 415 (modified) frame steel should all be excluded from any remedy recommendation to the President.



John Halac,
Purchasing Supervisor
SONY Display Device - San Diego



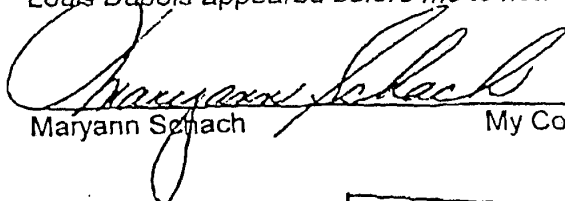
Louis Dubois
Purchasing Agent
SONY Display Device, Pittsburgh

Dated: November 12, 2001

Westmoreland County
Commonwealth of Pennsylvania

On this the 12th Day of November, 2001

Louis Dubois appeared before me to notarize his signature.



Maryann Schach

My Commission expires September 14, 2002

